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Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, D.C. 20554

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In the Matter of )

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Petition of LCI International Telecom Corp.  
For Expedited Declaratory Rulings )

CC Docket No. 98-5

**REPLY COMMENTS OF  
ICG TELECOM GROUP**

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April 22, 1998

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**REPLY COMMENTS OF ICG TELECOM GROUP**

Pursuant to the Commission's Public Notice, DA 98-130, released January 26, 1998, ICG Telecom Group ("ICG"), hereby replies to comments regarding LCI International Telecom Corp.'s ("LCI") Petition for Expedited Declaratory Rulings ("LCI Petition") regarding a "fast track" plan to expedite local service competition and Section 271 entry by encouraging Regional Bell Operating Companies ("RBOC") voluntarily to establish separate and independent wholesale and retail service companies.

In its initial comments, ICG commended LCI for its creative attempt to accelerate local competition by means of a "fast-track" option in the Section 271 process. However, ICG urged the Commission to carefully consider the ramifications of LCI's fast-track plan. In particular, ICG questioned whether LCI's proposal would promote facilities-based local service competition or whether it would only promote a form of resale-based "retail" competition, while allowing further delay or frustration of facilities-based competition.

ICG also raised issues concerning implementation, especially concerning the procedures that would govern the splitting up of a RBOC into "NetCo" and "ServeCo".

Unless the ground rules for this process are clearly established at the outset, there is a risk that the division will turn out differently from the Commission's expectations, and that the industry will have to live with yet another flawed competitive structure.

Therefore, ICG stressed that, in pursuing a fast-track Section 271, the Commission needs a rulemaking proceeding to flesh out LCI's proposal, add necessary improvements, and to consider alternatives advanced by the commenting parties.

The comments filed by other parties support ICG's position that LCI's fast-track proposal should be considered in the context of a rulemaking where the ramifications for facilities-based competition can be fully explored.

MCI agrees with ICG that implementation of LCI's proposal, as it stands, would pose significant risks of hindering the development of facilities-based competition. As MCI points out, the most likely entry scenario for ServeCo is to enter the market through resale. Thus, the nondiscrimination incentives that would be set up are more likely to favor the development of resale competition than facilities-based competition. Comments of MCI at 5-6.

MCI also agrees with ICG, that, under the proposal as it stands, "NetCo would want to maximize the dependence of all [competitive local exchange carriers ('CLECs'),] including ServeCo, on its facilities and minimize others' incentives to invest in competitive facilities." Comments of MCI at 7. Accordingly, MCI proposes an alternative in which NetCo would be much more fully separated (*i.e.*, through divestiture) from ServeCo, and in which NetCo's ownership of facilities would be limited to local loops.

A number of other parties agree that LCI's proposal requires strengthening and that the details must be fleshed out in a rulemaking. See, e.g., Comments of KMC Telecom, Inc. at ii; Comments of RCN Telecom Services, Inc. and Cleartel Communications, Inc. at ii (the Commission should consider requiring mandatory divestiture of the Regional Bell Operating Companies' ("RBOCs") bottleneck facilities and should issue a Notice of Proposed Rulemaking on RBOC/ILEC structural reform); Comments of Worldcom at 7 (investigation of the issues "should not be limited to a simple 'yes-or-no' consideration of LCI's specific proposal, but should include alternatives" such as full divestiture of NetCo, divestiture of loop facilities, and electric utility models). See also CompTel at 17 ("The FCC should work in cooperation with the industry to develop [LCI's] seven principles into concrete rules and policies"); Comments of Competition Policy Institute (proposing revisions to strengthen the separation of NetCo and ServeCo); Comments of Ad Hoc Telecommunications Users Committee (proposing a revision to make LCI's plan more attractive to RBOCs).

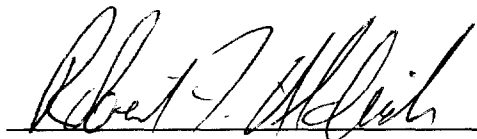
The issues raised by ICG and other parties are fundamental to the successful development of facilities-based local service competition and must be fully thought through before the Commission adopts any fast-track alternative to the current Section 271 process. These issues are most appropriately considered in a rulemaking. Indeed, as ICG explained, due to the complexity of the issues a rulemaking is legally required.

A rulemaking need not unduly delay consideration of fast-track alternatives. The RBOCs have made clear in their comments that they are not at all ready to embrace LCI's

proposal at this time. Clearly, the RBOCs still hope they can force the Commission to grant Section 271 relief without taking any further steps to ensure local competition. ICG agrees with CompTel that the Commission "must have the courage to say 'no' to as many premature applications as the BOCs may choose to file." CompTel at ii. Perhaps a rulemaking will allow the RBOCs time to reflect further and result in an acceptable alternative that comports with the requirements of Section 271.

The Commission should consider LCI's proposal and other proposals suggested by commenting parties in a rulemaking proceeding in order to determine the most effective means to ensure that implementation of Section 271 promotes the evolution of facilities-based competition.

Respectfully submitted,



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Dated: April 22, 1998

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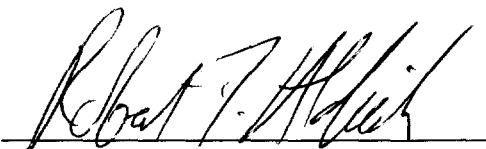
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